

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2007-4-G - ORDER NO. 2008-350

MAY 13, 2008

IN RE: Annual Review of Purchased Gas)	ORDER APPROVING
Adjustment and Gas Purchasing Policies of)	PURCHASED GAS
Piedmont Natural Gas Company Inc.)	ADJUSTMENTS AND
)	GAS PURCHASING
)	POLICIES

I. INTRODUCTION

This proceeding before the Public Service Commission of South Carolina (“Commission”) arises under the authority of Commission Order No. 88-294 (April 6, 1988) to conduct an annual review of the Purchased Gas Adjustments and Gas Purchasing Policies (“PGA”) of Piedmont Natural Gas Company, Inc. (“PNG” or “Company”). The review period in the current proceeding extends from April 1, 2006, through March 31, 2007. Notice of this matter was published by PNG in several newspapers throughout the State prior to the hearing, but no parties intervened. In conformity with Order No. 88-294, a public hearing was held for the PGA review on November 29, 2007. At the opening of the hearing, the Office of Regulatory Staff (“ORS”)¹ and PNG moved a settlement agreement along with all the prefiled testimony and exhibits into evidence. Although accounting problems at PNG prevented ORS from completing an audit of gas purchasing practices at the time of the hearing, these problems

¹ Pursuant to S.C. Code Ann. § 58-4-10 (Supp. 2007), the ORS is automatically considered a party of record in proceedings before the Commission.

were subsequently resolved, and ORS submitted its final report to the Commission on February 14, 2008.

II. JURISDICTION

S.C. Code Ann. § 58-3-140 (A) (Supp. 2007) vests the Commission with the “power and jurisdiction to supervise and regulate the rates and service of every public utility in this State...” In carrying out these duties in relation to the oversight of the Company’s PGA and subsequent Settlement Agreement with ORS, the Commission’s published “Settlement Policies and Procedures” (Revised 6/13/2006) are applicable to guide this proceeding. Specifically, Section II of the Settlement Policies and Procedures, titled “Consideration of Settlements,” states:

When a settlement is presented to the Commission, the Commission will prescribe procedures appropriate to the nature of the settlement for the Commission’s consideration of the settlement... [W]hen the settlement presents issues of significant implication for other utilities, customers, or the public interest, the Commission will convene an evidentiary hearing to consider the reasonableness of the settlement and whether acceptance of the settlement is just, fair, and reasonable, in the public interest, or otherwise in accordance with law or regulatory policy. Approval of such settlements shall be based upon substantial evidence in the record.

We find this case presents issues of significant implication for the utility and the public interest. As a result, this Commission determined that an evidentiary hearing was necessary in order for the parties to substantiate their Settlement Agreement.

III. DISCUSSION OF TESTIMONY AND SETTLEMENT AGREEMENT

At the hearing, the Commission accepted into the record the pre-filed direct testimony of PNG witness David R. Carpenter and the pre-filed direct testimony and exhibits of PNG witnesses Keith P. Maust and Robert L. Thornton along with the rebuttal

testimony of David R. Carpenter, as well as the pre-filed direct testimony of ORS witness Carey M. Flynt and the direct pre-filed testimony and exhibits of ORS witness Daniel F. Sullivan together with the settlement testimony of Carey M. Flynt. Maust's exhibits were admitted into evidence as composite Hearing Exhibit No. 1. Thornton's exhibits were admitted into evidence as composite Hearing Exhibit No. 2. Sullivan's exhibits were admitted into evidence as composite Hearing Exhibit No. 3, and Flynt's exhibits were admitted into evidence as composite Hearing Exhibit No. 4.

PNG witness Carpenter testified to the issues and challenges faced by PNG over the last several years with respect to its gas cost accounting and the measures taken to address those issues and challenges. PNG has worked in conjunction with ORS to ensure that an accurate statement of PNG's Review Period costs and deferred account balances are provided. PNG has also implemented detailed plans for a complete redesign and restructuring of its gas cost accounting systems and processes.

PNG witness Maust testified that PNG purchases gas supplies under a diverse portfolio of contractual arrangements and pays negotiated reservation fees for the right to reserve and call on firm supply service up to a maximum daily contract quantity. In addition, PNG has various pricing options available when developing its gas supply portfolio including fixed pricing, monthly market indexing, and daily spot pricing. Fixed pricing scenarios are addressed in PNG's hedging plan already approved by the Commission.

During the Review Period, PNG's South Carolina customers incurred a net economic cost, as detailed in the ORS report of February 14, 2008, as a result of PNG's

hedging plan and there were no deviations from the hedging plan during the Review Period. Maust testified that PNG utilized the flexibility within its supply and capacity contracts to purchase and dispatch gas, release capacity, and initiate secondary market sales in a manner which resulted in South Carolina capacity release and secondary market sales credits of \$5,720,250. Furthermore, PNG's "best cost" purchasing policy has been reviewed by the Commission and has been found prudent on all occasions.

PNG witness Thornton testified that PNG maintains Deferred Account No. 253.04 in which it tracks the over/under collection during the review period. In addition, Thornton testified that PNG maintains a Hedging Deferred Account in which it records the results of its hedging activities and that ORS conducted a detailed review of the balance in the account and the accounting data supporting the entries in the account. ORS witness Flynt testified that PNG's gas purchasing policies indicate that PNG is attempting to get the best terms available in its negotiations with suppliers and that PNG is using the spot market prudently. Flynt further testified that PNG failed to provide regular reports to the Commission and ORS relative to the results of PNG's gas costs and deferred amounts as required in Order No. 88-294. Also, Flynt testified that although PNG failed to meet the reporting requirements regarding PNG's hedging program as required under Commission Order No. 2002-223, ORS determined that PNG managed its hedging program in a reasonable and prudent manner during the Review Period. In addition, ORS recommended that PNG begin filing regular monthly reports on its gas costs and deferred amounts as well as the hedging program and activities beginning with the report for the month of November 2007.

ORS witness Sullivan testified that because PNG's commodity true-up is subject to additional investigation by ORS and Piedmont, the final end-of-period increase or decrease to the under-collection could not be determined. Sullivan recommended that the Commission approve additional investigation into PNG's Review Period commodity true-up, gas storage inventory, the interest on Deferred Account No. 253.04, and Hedging Program Account No. 191.01 as outlined in Sullivan's testimony and set forth in the Settlement Agreement.

The Settlement Agreement submitted by the parties reflects the parties' agreement that PNG's gas purchasing policies during the Review Period were reasonable and prudent; PNG properly adhered to the gas cost recovery provisions of its gas tariff during the Review Period; and PNG managed its hedging program in a reasonable and prudent manner during the Review Period. The Settlement Agreement further states that PNG experienced significant issues with some aspects of the accounting and reporting of its gas costs during the Review Period. Those issues resulted in a difficult and extended audit during this proceeding that led to numerous ORS adjustments, including but not limited to PNG's commodity true-up, inventory accountability, and deferred account-hedging program. Additionally, several issues relating to PNG's commodity true-up calculation and inventory levels remained unresolved, and as a result ORS was unable to verify the end-of-period balance in Deferred Account No. 253.04.

Accordingly, PNG and ORS agreed to engage in further investigative procedures to analyze the open issues relating to gas inventory levels and the commodity true-up and to report back to the Commission on the results of that investigation. PNG also agreed to

report back to the Commission on the results of PNG's restructuring of its accounting practices and procedures on or before February 15, 2008. At the hearing, and in response to the request of PNG and ORS contained in the Settlement Agreement, the Commission determined to hold open the docket pending completion of additional investigation and analysis by the Parties of open items relating to gas inventory levels and the flow-through effect on the commodity true-up for the period of review. The Commission approved the timeframe stipulated by the parties for completion of this process, but reserved the right to convene such further proceedings in this docket as it deemed necessary and appropriate.

In compliance with the provisions of the Settlement Agreement and the Commission's directive in this regard, PNG submitted additional information to the ORS beginning on January 7, 2008. On February 14, 2008, the ORS filed its Final Report indicating its satisfaction with the additional information provided by PNG, concluding that the end of Review Period balance in Deferred Account No. 253.04 of \$1,660,409 accurately reflected the under collection on March 31, 2007, and the inventory balances provided by PNG, including adjustment to tank levels, accurately reflected PNG's total inventories at the end of the Review Period. On the same date, PNG filed a letter with the Commission indicating its agreement with the conclusions and balances reflected in the ORS report in all respects. PNG also reported back to the Commission on its efforts to improve its gas cost accounting systems at that time.

IT IS THEREFORE ORDERED:

1. The pre-filed direct testimony of PNG witness David R. Carpenter and the prefiled direct testimonies and exhibits of PNG witnesses Keith P. Maust and Robert L. Thornton along with the rebuttal testimony of David R. Carpenter are accepted into the record without objection.

2. The pre-filed direct testimony of ORS witness Carey M. Flynt and the pre-filed direct testimony and exhibits of ORS witness Daniel F. Sullivan together with the settlement testimony of Carey M. Flynt are accepted into the record without objection.

3. The Settlement Agreement and ORS's Final Report attached hereto are accepted into the record and incorporated into and made part of this Order by reference and, based upon the testimony and exhibits presented at the hearing of this matter, are found to be in the public interest and to constitute a reasonable resolution of this proceeding.

4. PNG's gas purchasing policies, practices and PGA during the Review Period were reasonable and prudent.

5. PNG adhered to the gas cost recovery provisions during the Review Period in a reasonable and prudent manner.

6. PNG managed its hedging program and hedging program account in a reasonable and prudent manner during the Review Period.

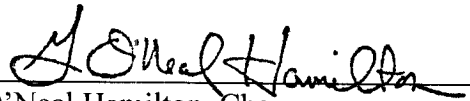
7. PNG's Deferred Cost Gas Account No. 253.04 accurately reflects an under-collection of \$1,660,409 as of the end of the Review Period as reflected in the ORS's February 14, 2008 Final Report.

8. PNG will provide regular monthly reports to the Commission on its Account No. 253.04 activity, status, and results of its hedging program.

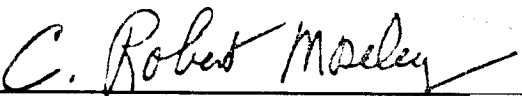
9. The inventory balances provided by PNG, and confirmed by ORS, as reflected in the ORS February 14, 2008 Final Report, accurately reflect PNG's total inventories during the Review Period.

10. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


G. O'Neal Hamilton, Chairman

ATTEST:


C. Robert Moseley, Vice Chairman

(SEAL)

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2007-4-G

RECEIVED
2007 MAY 13 PM 1:53
SC PUBLIC SERVICE
COMMISSION

IN RE:

Piedmont Natural Gas)	
Company's Annual Review of)	SETTLEMENT AGREEMENT
Purchased Gas Adjustment and)	
Gas Purchasing Policies.)	

This Settlement Agreement is made by and among the Office of Regulatory Staff of South Carolina ("ORS") and Piedmont Natural Gas Company, Inc. ("Piedmont" or "Company") (collectively referred to as the "Parties" or sometimes individually as a "Party").

WHEREAS, the Parties to this Settlement Agreement are the only parties of record in the above-captioned docket;

WHEREAS, the Parties have engaged in discussions to determine if a settlement of this proceeding would be in their best interest;

WHEREAS, following those discussions Piedmont has determined that their interests, and ORS has determined that the public interest, would be best served by stipulating to the matters set out below:

1. The Parties agree to stipulate into the record before the Commission the pre-filed direct testimony and exhibits of Piedmont witnesses Keith P. Maust, David R. Carpenter and Robert L. Thornton, and any pre-filed rebuttal testimony of Piedmont's witnesses, without objection, change, amendment, or cross-examination by the Parties. Piedmont will present its witnesses at the hearing.

**This Document Is An Exact Duplicate, With The Exception Of
The Form Of The Signature, Of The E-Filed Copy Submitted
To The Commission In Accordance With Its Electronic Filing
Instructions**

2. The Parties agree to stipulate into the record before the Commission the pre-filed direct testimony, exhibits and any pre-filed surrebuttal of ORS witnesses Carey M. Flynt and Daniel F. Sullivan, without objection, change, amendment, or cross-examination by the Parties. ORS will present its witnesses at the hearing.

3. The Parties agree that: (i) Piedmont uses a "best cost" purchasing policy which consists of five interrelated and weighted components: price, security, flexibility, deliverability, and supplier relations, and that ORS has found that Piedmont's gas purchasing policies and practices during the Review Period were reasonable and prudent; (ii) Piedmont properly adhered to the gas cost recovery provisions of its gas tariff during the Review Period; and (iii) Piedmont managed its hedging program during the Review Period in a reasonable and prudent manner,

4. The Parties further agree, however, that: (i) Piedmont experienced significant issues with some aspects of the accounting and reporting of its gas costs during the Review Period; (ii) these issues resulted in a difficult and extended audit in this proceeding and numerous ORS adjustments including, but not limited to, the Company's commodity true-up, inventory accountability and deferred account-hedging program; (iii) several issues relating to the accounting entries applicable to the Company's commodity true-up calculation and inventory levels remain unresolved and, as a result, ORS is unable to verify the end-of-period balance in deferred account #253.04; and (iv) that Piedmont shall comply with the procedures detailed in paragraph 5 below in order to facilitate a final accounting for all gas costs during the Review Period by not later than January 7, 2008.

5. In order to address the unresolved accounting issues relating to Piedmont's commodity true-up and inventory levels and to permit a final accounting of Piedmont's deferred account 253.04, Piedmont agrees to provide revised and updated data to ORS for its review no

later than January 7, 2008. The Parties agree that a report regarding the aforesaid verification and recommended adjustment(s) to the deferred account will be made and reported to the Commission by the Parties no later than February 15, 2008.

6. Piedmont further agrees to exercise its best efforts to continue to correct deficiencies in its accounting and reporting practices to conform its accounting practices to the requirements of the Commission, as stated in previous Orders of the Commission. Piedmont further agrees to begin filing monthly hedging reports beginning with the report for the month of November 2007 for a period of one year or until otherwise adjusted to a quarterly basis by mutual agreement of the Parties or by Order of the Commission in the next annual review. Piedmont additionally agrees to report back to the Commission on the results of their actions in restructuring their accounting practices and procedures on or before February 15, 2008.

7. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable and full resolution of the above-captioned proceeding. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

8. The Parties agree that by signing this Settlement Agreement, it will not constrain, inhibit or impair their arguments or positions in future proceedings. If the Commission should decline to approve the agreement in its entirety, then any Party desiring to do so may withdraw from the agreement without penalty.

9. This agreement shall be interpreted according to South Carolina law.

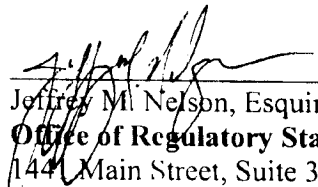
10. Each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below.

Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

[SIGNATURE PAGES FOLLOW]

WE AGREE:

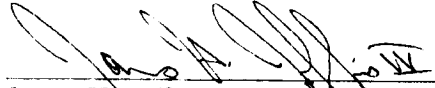
Representing and binding the Office of Regulatory Staff



Jeffrey M. Nelson, Esquire
Office of Regulatory Staff
144 Main Street, Suite 300
Columbia, SC 29201
Phone: (803) 737-0823
Fax: (803) 737-0895
Email: jnelson@regstaff.sc.gov

WE AGREE:

Representing and binding Piedmont Natural Gas Company, Inc.



James H. Jeffries, IV, Esquire
Moore & Van Allen, PLLC
100 North Tryon Street, Ste. 4700
Charlotte, NC 28202
Phone: 704-331-1079
Fax: 704-339-5879
Email: jimjeffries@mvalaw.com

THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF**FINAL REPORT****AS OF FEBRUARY 14, 2008****IN RE: PIEDMONT NATURAL GAS COMPANY, INC.****PURCHASE GAS ADJUSTMENT ("PGA")****DOCKET NO. 2007-4-G**

In accordance with the Settlement Agreement filed by and among the Office of Regulatory Staff of South Carolina ("ORS") and Piedmont Natural Gas Company, Inc. ("Piedmont" or "Company"), on November 9, 2007 in Docket No. 2007-4-G ("Agreement"), and in order to address unresolved accounting issues related to Piedmont's commodity true-up and inventory levels and to permit a final accounting of Piedmont's deferred account (Acct. No. 253.04), Piedmont filed, beginning on January 7, 2008, revised and updated data to ORS for its examination.

Further, in accordance with the Agreement, ORS examined the revised and updated data provided by Piedmont. The data was subjected to tests of adequacy of supporting documentation, mathematical accuracy, verification, when appropriate, with unrelated third parties, conformance with prior orders and rules and regulations issued by the Public Service Commission of South Carolina ("PSC") and generally accepted regulatory accounting principles.

In order to summarize the results of the procedures performed, ORS has prepared three exhibits. Exhibit ORS-1, "Account # 253.04 Analysis Summary", Exhibit ORS-2, "Storage Inventory Activity" and Exhibit ORS-3, "Risk Management-Hedging Program". Exhibit ORS-1 addresses changes in the Account # 253.04 Analysis Summary as

originally filed, and presents a final Account # 253.04 Analysis Summary. Exhibit ORS-2 presents information on the Company's underground and LNG inventories, not previously provided to the Commission in this docket. Exhibit ORS-3, is provided for informational purposes only as the data included in Exhibit ORS-3 "Risk Management – Hedging Program" remains as previously filed in witness Sullivan's October 25, 2007 testimony in this docket.

These exhibits, the procedures performed in conjunction with ORS' examination and adjustments recommended by ORS are more fully detailed as follows:

EXHIBIT ORS-1: The Account # 253.04 Analysis Summary, as originally filed, reflected an ending balance under-collection of (\$3,101,815). On Exhibit ORS-1, attached, ORS has recalculated that balance, as a result of various adjustments, as an under-collection of (\$1,660,409). Those changes are detailed as follows:

- (1) A \$1,427,724 decrease in the under-collection for commodity true-up due to adjustments to the dekatherms and dollars used in determining the cost of gas.
- (2) A \$6,213 decrease in the under-collection for demand true-up due to adjustments in LNG inventory liquefaction calculations.
- (3) A \$29,438 increase in the under-collection for unaccounted for due to adjustments to the dekatherms used in calculating the cost of gas.
- (4) A \$36,907 decrease in the under-collection for interest expense due to adjustments to commodity true-up and unaccounted for.

EXHIBIT ORS-2: During the PGA examination, the Company provided ORS detailed inventory calculations of its underground and liquefied natural gas (LNG) supplies at

1 each of its storage facilities. ORS accumulated the various inventory levels in total and
2 included them in Exhibit ORS-2, for Commission consideration.

3 The Company has contracted with six underground storage facilities. Five of these
4 facilities are on the Transco System, including General Storage Service (GSS) and
5 General Storage Service -- Dominion (GSS-Dominion) located in Pennsylvania,
6 Washington Storage Service (WSS) located in Louisiana, Eminence Storage Service
7 (ESS) located in Mississippi, and Hattiesburg Storage located in Hattiesburg, Mississippi.

8 The sixth underground facility is owned by Columbia Gas Transmission Company and
9 operated by Columbia Gas Storage, as Firm Storage Service (FSS), with storage facilities
10 in Pennsylvania, Virginia, and West Virginia.

11 Audit Exhibit ORS-2, "Total Underground" details the inventory activities of these
12 underground facilities, in total. The inventory located in the six underground facilities at
13 the beginning of the review period totaled 8,462,437 dekatherms at a total cost of
14 \$66,809,961 or a weighted average cost of \$7.8949 per dekatherm. The net inventory
15 decrease during the period, including injections, withdrawals and other related activities,
16 resulted in an ending inventory balance for these six facilities of 8,183,512 dekatherms at
17 a total cost of \$62,674,195, or a weighted average cost of \$7.6586 per dekatherm. During
18 its examination, ORS obtained verification from the storage facility operators of the
19 volumes stored in each of these facilities at the close of the review period. Audit Exhibit
20 ORS-2, "Total LNG" is a summary of the inventories of the various LNG locations,
21 including Pine Needle. Pine Needle is an LNG facility located in Guilford County, North
22 Carolina and is jointly owned by Piedmont, Transco and several other utilities/investors.
23 Piedmont's ownership in this facility is 35%. Inventory is also stored at the Company's

1 LNG facilities located near Charlotte, North Carolina and at LNG-NCNG located at Four
2 Oaks, North Carolina. Piedmont's records showed LNG inventory located in these
3 facilities at the beginning of the review period totaled 4,016,149 dekatherms at a total
4 cost of \$30,963,816 or a weighted average cost of \$7.7098 per dekatherm. As of the date
5 of the hearing in this docket however, due to adjustments made during the previous
6 review period, ORS had not been unable to express an opinion as to the accuracy of these
7 balances. During its most recent examination, though, ORS obtained from the individual
8 facility operators, the actual tank measurements as of the end of the review period and
9 adjusted the balances shown on the company perpetual inventory records to the actual
10 measurements as reported by the storage facilities. Those adjustments are shown as
11 "Adjustments to Tank Level" in Exhibit ORS-2. These adjustments included an increase
12 in the LNG of 25,022 dekatherms at a cost of \$188,862. The net inventory decrease
13 during the period, including these adjustments, injections, withdrawals and other related
14 activities resulted in a total ending inventory balance for the LNG facilities of 2,781,532
15 dekatherms at a total cost of \$20,900,628, or a weighted average cost of \$7.5141 per
16 dekatherm.

17 **EXHIBIT ORS – 3:** This exhibit contains the same information as Exhibit DFS-2 which
18 was filed as a part of ORS witness Sullivan's pre-filed testimony in this docket, and is
19 supplied to the Commission for information purposes only.

20 **CONCLUSION:** It is ORS' opinion that the balance, as adjusted, in Account # 253.04,
21 of (\$1,660,409), accurately reflects the under-collection at March 31, 2007. Additionally,
22 it is the opinion of the ORS that the inventory balances as reflected in Exhibit ORS-2,

- 1 including adjustment to tank levels, accurately reflect the Company's total inventories at
- 2 the end of the review period.

PIEDMONT NATURAL GAS COMPANY, INC.
 ACCOUNT #253.04 ANALYSIS SUMMARY
 FOR TWELVE MONTHS ENDED MARCH 31, 2007

Month	April	May	June	July	August	September	October	November	December	January	February	March	Total
Beginning Balance	(15,133,277)	(13,902,489)	(14,378,090)	(14,172,128)	(13,957,328)	(13,612,638)	(13,082,539)	(9,884,437)	(6,440,068)	(5,073,795)	(4,358,933)	(1,438,804)	
Commodity True-Up (B vs. F)	586,019	120,549	808,174	991,614	794,553	1,500,135	4,139,216	2,688,401	1,519,273	1,633,062	434,031	(452,800)	14,762,227
Demand True-Up	(230,931)	(926,943)	(983,460)	(1,074,701)	(1,077,236)	(1,025,284)	(995,974)	(140,017)	376,778	766,274	1,646,388	373,424	(3,291,682)
Negotiated Losses	(92,726)	(58,742)	(105,452)	(130,488)	(63,119)	(67,407)	(80,155)	(198,382)	(173,695)	(147,907)	(161,650)	(78,411)	(1,358,134)
Secondary Market Sharing	789,722	476,381	563,799	514,676	637,537	194,268	316,438	303,176	277,874	530,665	792,876	322,838	5,720,250
Benchmark Proration	0	0	0	(11,241)	0	0	0	0	0	233,277	0	0	222,036
WNA	9,178	553	547	68	(38)	(62)	(5)	392,701	(655,293)	(2,262,145)	243,522	(368,090)	(2,639,064)
Unaccounted For	0	0	0	0	0	0	0	485,254	0	0	0	0	485,254
SC Uncollectibles	0	0	0	0	0	0	0	(36,160)	(13,663)	(14,773)	(18,177)	(25,570)	(108,343)
Supplier Refunds	0	0	10,566	267	126,889	0	8,080	6,961	68,483	3,841	0	16,017	241,124
Other Adjustments	259,259	0	0	0	0	0	(99,990)	(9,090)	0	0	0	0	150,179
Hedging Activity Transfer	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance Before Interest	(13,812,756)	(14,290,691)	(14,083,896)	(13,881,933)	(13,538,742)	(13,010,988)	(9,794,929)	(6,392,593)	(5,040,311)	(4,331,501)	(1,421,943)	(1,651,386)	
Interest	(89,733)	(87,399)	(88,232)	(75,395)	(73,896)	(71,551)	(89,508)	(47,475)	(33,484)	(27,432)	(16,861)	(9,013)	(709,979)
Ending Balance	(13,902,489)	(14,378,090)	(14,172,128)	(13,957,328)	(13,612,638)	(13,082,539)	(9,884,437)	(6,440,068)	(5,073,795)	(4,358,933)	(1,438,804)	(1,660,409)	
Interest Rate	7.44%	7.44%	7.44%	6.45%	6.45%	6.45%	9.39%	7.00%	7.00%	7.00%	7.00%	7.00%	

Deferred Account #253.04 Under Collection as of 3/31/07

(1,660,409)

Net Cumulative Hedging Increase to the Cost of Gas as of 3/31/07

(3,491,414)

Total Under Collection as of 3/31/07

(5,151,823)

Order Exhibit
 Docket No. 2007-4-G
 Order No. 2008-350
 May 13, 2008

PIEDMONT NATURAL GAS COMPANY, INC.
STORAGE INVENTORY ACTIVITY
FOR TWELVE MONTHS ENDED MARCH 31, 2007

	Total Underground Injections					Total Underground Withdrawals					Total Underground Balance				
	Gross DTs	Used/Injected	Price	Commodity	Injection/Charge	W/D Charge	DTs		Amount	DTs	Amount	Wid. Cost			
Beg Bal															
Apr-06	920,931	(4,645)	\$ 7,5247	\$ 6,929,772	\$ 14,261	1,904	(116,771)	\$ 8,3874	\$ (979,404)	8,462,437	68,809,961	\$	7,8949		
May-06	1,643,329	(24,415)	7,5340	12,360,832	31,247	388	(88,565)	8,4419	(747,656)	9,261,952	72,776,493		7,8576		
Jun-06	567,522	(29,191)	6,1948	3,518,166	13,152	2,448	(240,861)	8,4689	(2,039,825)	10,792,301	84,441,304		7,8242		
Jul-06	1,241,022	(24,099)	5,8801	7,297,335	23,169	7,206	(860,729)	7,8767	(6,775,733)	11,090,171	85,935,245		7,7488		
Aug-06	1,951,047	(31,522)	7,2965	14,235,820	36,522	6,989	(640,594)	6,2601	(4,010,189)	11,446,365	86,483,221		7,5555		
Sep-06	2,107,598	(38,245)	6,5868	13,882,372	35,504	335	(52,295)	8,2004	(428,840)	12,725,296	96,752,363		7,6032		
Oct-06	1,478,522	(32,312)	4,4377	6,565,630	25,756	11,865	(897,272)	6,7278	(6,036,624)	14,742,354	110,241,733		7,4779		
Nov-06	1,026,866	(26,017)	7,3252	7,522,700	19,395	8,221	(1,398,866)	7,4980	(10,488,731)	15,292,292	110,808,361		7,2460		
Dec-06	2,073,516	(90,963)	8,5383	17,707,311	20,116	12,939	(911,726)	7,5069	(6,844,241)	14,894,375	107,869,945		7,2423		
Jan-07	779,321	(10,976)	6,0285	4,698,098	7,589	43,366	(4,837,198)	7,2405	(35,023,687)	11,965,302	118,766,071		7,4390		
Feb-07	329,042	(5,945)	7,1858	2,364,443	4,406	38,636	(4,695,733)	7,1441	(33,546,660)	15,986,449	88,491,437		7,4385		
Mar-07	1,753,843	(26,485)	7,5962	13,322,548	38,125	7,023	(1,087,649)	7,5360	(8,045,762)	8,183,512	57,352,262		7,6228		
	15,874,159	(344,825)	6,9563	\$ 110,425,026	\$ 269,241	\$ 141,320	(15,808,259)	7,2729	\$ (114,871,352)		62,674,195	\$	7,6586		

	Total LNG Injections					W/D Chg/Exp Def	Total LNG Withdrawals			Adjustments To Tank Level			Total LNG Balance		
	Gross DTs	Used/Injected	Price	Commodity	Injection/Charge		DTs	Price	Amount	DTs	Amount	DTs	Amount	DTs	Wld. Cost
Beg Bal.															
Apr-06	36,265	0	\$ 7.3684	\$ 267,215	\$ 0	9,537	(29,571)	\$ 7.4619	\$ (220,656)		0	\$	4,016,149	\$ 30,963,816	\$ 7.7098
May-06	26,032	0	7.5774	197,255	0	78,588	(24,797)	7.4825	(185,543)		0		4,022,843	31,019,912	7.7109
Jun-06	20,309	0	6.0753	123,383	0	8,662	(26,417)	7.4812	(197,631)		0		4,024,078	31,110,212	7.7310
Jul-06	218,758	(380)	6.2000	1,356,295	0	21,487	(23,747)	7.4227	(176,267)		0		4,017,970	31,044,626	7.7264
Aug-06	293,219	(957)	7.1798	2,105,273	0	121,847	(281,239)	7.7425	(2,177,484)		0		4,212,601	32,246,141	7.6547
Sep-06	419,621	(833)	6.5267	2,738,728	0	10,115	(41,683)	7.3227	(305,234)		0		4,223,624	32,295,777	7.6465
Oct-06	111,537	(163)	4.4109	491,978	0	100,169	(79,469)	7.5257	(598,060)		0		4,600,729	34,739,386	7.5508
Nov-06	13,169	0	7.6363	100,562	0	75,185	(165,105)	7.5674	(1,248,423)		0		4,632,614	34,733,472	7.4976
Dec-06	124,190	0	0.0000	1,110,743	0	9,922	(157,496)	7.6229	(1,200,577)		0		4,480,678	33,659,796	7.5122
Jan-07	85,827	0	6.3628	546,102	0	37,281	(592,435)	7.5722	(4,486,024)		0		4,447,372	33,579,865	7.5505
Feb-07	0	0	0.0000	0	0	0	(1,231,642)	7.6345	(9,402,944)		0		3,940,764	29,677,244	7.5308
Mar-07	158,028	0	7.7821	1,229,785	0	48,758	(110,640)	7.6019	(841,076)		25,022	\$ 188,862	2,781,532	\$ 20,900,628	\$ 7.5141
	4,506,955	(2,353)	6.8133	\$ 10,267,319	\$ 0	\$ 521,550	(2,764,241)	7.6116	\$ (21,040,919)		25,022	\$ 188,862			

Order Exhibit
Docket No. 2007-4-G
Order No. 2008-350
May 13, 2008

PIEDMONT NATURAL GAS COMPANY, INC.
RISK MANAGEMENT - HEDGING PROGRAM
GAIN/(LOSS) RECOGNIZED AND OTHER EXPENSES
FOR TWELVE MONTHS ENDED MARCH 31, 2007

Month	Type of Contract	No. of Contracts	Gain or (Loss)	Trading Fees	Gain or (Loss) Recognized	Interest	RM's Fee	Real Time Pricing Fee	Net Gain or (Loss)
Apr-06	Call Options/Futures	12	\$ (359,698)	\$ (240)	\$ (359,938)	\$ 9,251	\$ (395)	\$ (60)	\$ (351,142)
May-06	Call Options	329	(1,045,343)	(6,580)	(1,051,923)	2,874	(2,409)	(60)	(1,051,518)
Jun-06	Call Options	308	(141,180)	(6,160)	(147,340)	(48)	(395)	(60)	(147,843)
Jul-06	Call Options	157	594,477	(3,140)	591,337	1,552	(395)	(60)	592,434
Aug-06	Call Options/Futures	130	(1,219,840)	(3,040)	(1,222,880)	746	(395)	(60)	(1,222,589)
Sep-06	Call Options/Futures	761	(5,469,904)	(15,220)	(5,485,124)	(31,134)	(395)	(60)	(5,516,713)
Oct-06	Call Options/Futures	189	2,096,120	(3,780)	2,092,340	(39,476)	(395)	(60)	2,052,409
Nov-06	Call Options/Futures	170	2,363,878	(2,635)	2,361,243	(11,800)	(395)	(60)	2,348,988
Dec-06	Call Options	338	(3,418,671)	(5,239)	(3,423,910)	(19,019)	(395)	(60)	(3,443,384)
Jan-07	Call Options	520	1,855,964	(8,060)	1,847,904	(22,601)	(395)	(60)	1,824,848
Feb-07	Call Options	40	238,948	(620)	238,328	(15,467)	(395)	(60)	222,406
Mar-07	Call Options	101	65,126	(1,566)	63,560	(20,368)	(395)	(60)	42,737
		<u>3,055</u>	<u>\$ (4,440,123)</u>	<u>\$ (56,280)</u>	<u>\$ (4,496,403)</u>	<u>\$ (145,490)</u>	<u>\$ (6,754)</u>	<u>\$ (720)</u>	<u>\$ (4,649,367)</u>
					Increase to the Cost of Gas (Apr 04 to Mar 05)			\$	(598,053)
					Decrease to the Cost of Gas (Apr 05 to Mar 06)				1,756,006
					Increase to the Cost of Gas (Apr 06 to Mar 07)				<u>(4,649,367)</u>
					Cumulative Increase to the Cost of Gas (Apr 04 to Mar 07)			\$	<u>(3,491,414)</u>